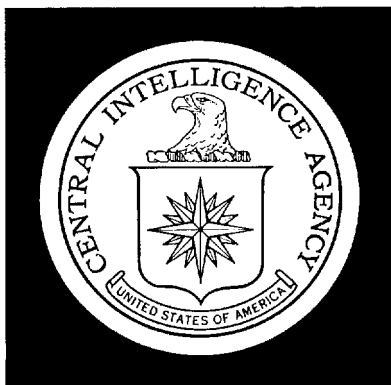


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DIRECTORATE OF  
INTELLIGENCE

# *Central Intelligence Bulletin*

**Secret**

**Nº 040**

4 June 1971

Approved For Release 2003/05/19 : CIA-RDP79T00975A019200040001-4

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Approved For Release 2003/05/19 : CIA-RDP79T00975A019200040001-4

No. 0133/71

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SOUTH VIETNAM: A clause in the presidential election bill passed yesterday apparently is intended by President Thieu to force Vice President Ky out of the race.

Thieu successfully persuaded the Lower House to reinstate the restrictive nomination clause, which requires candidates to be endorsed by either 40 of the nearly 200 National Assembly members or 100 of the 500-odd members of provincial councils. One of the original purposes of the provision was to limit the number of candidates, thereby making it more likely that the winner would receive a majority mandate (the winning Thieu-Ky ticket received only 35 percent of the vote in the 1967 election, in which there were 11 candidates). Thieu did not back the provision strongly when it encountered opposition in the Senate two months ago. Since then Ky has shown a greater interest in the race, and Thieu evidently chose to pressure the more pliable Lower House to override the Senate.

Of all the possible candidates, only Thieu and Big Minh seem certain to be able to meet the terms of the nomination requirement, and Minh has warned that he might drop out of the race in protest against the provision. Minh's resolve to run has wavered periodically, apparently largely due to doubts about his prospects. He probably believes that his own chances for victory would be reduced if Ky is eliminated from the contest. Ky cannot be counted out, but in view of his limited political support, he is likely to have difficulty gaining the required endorsements unless Minh withdraws.

Although Thieu's chances probably would improve if Ky does not run, the President's tactic is certain to provoke accusations in Saigon and abroad that he is stacking the political deck.

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COMMUNIST CHINA: The reappearance yesterday of politburo member Kang Sheng after being on the political sidelines more than six months is the latest reflection of the fluid state of the current leadership in Peking.

Kang, who ranks fifth in the party hierarchy and was a leading figure in the Cultural Revolution, was present at a major reception for visiting Romanian party chief Ceausescu yesterday attended by Mao Tse-tung and Defense Minister Lin Piao. Kang was listed in his customary place among the regime's top leaders, indicating that he retains his position on the elite politburo standing committee. He had not appeared in public since 13 November.

During the past several months there have been recurring rumors within the diplomatic community in Peking that Kang and fourth-ranking politburo member Chen Po-ta, who has been out of sight since last August, were criticized at a major party gathering last fall for promoting "extremist" activities during the Cultural Revolution. Chen, Mao's personal secretary and the regime's leading theoretician, reportedly was charged with a dozen major "crimes," and there is evidence that an article in the party theoretical journal last month attacking "sham Marxists" was intended as official notice that Chen's voice in regime councils has been silenced.

There have been subtle differences in the way the regime has handled Kang's absence in comparison to that of Chen, suggesting that the question of Kang's political fate has been the subject of debate. The charges against Kang were never specified even in the rumors, and several regime publications carried photographs showing him along with other leaders during his absence.

At this juncture, it is not clear whether Kang has been fully "rehabilitated." He is reputed to have had major responsibilities in the important party rebuilding program, but these tasks seem more

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recently to have come under the purview of Premier Chou En-lai, who appears to be the principal spokesman for proponents of moderation and reconstruction within the leadership. Moreover, the regime's failure to account for Kang's temporary eclipse and its curious handling of the fate of two other politburo members in recent months strongly suggest that China's current leadership coalition remains beset by major political differences over a wide range of policy and personnel problems.

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SOUTH KOREA: President Pak Chong-hui's appointment yesterday of Kim Chong-pil to be prime minister marks the full return to public life of one of South Korea's most dynamic politicians.

As chief architect of the near-bloodless coup that elevated Pak to power in 1961 and as founder of the government party, Kim was at the center of much of the factional infighting that characterized the regime's early years. In 1968, Kim was forced to the political sidelines when his own presidential ambitions almost brought him into open conflict with Pak. Kim's appointment appears to be a reward for his vigorous campaigning on behalf of Pak and the government slate in the recent national elections.

Kim undoubtedly will attempt to use the premiership to strengthen his claim to be Pak's political heir. His ability to do so could be improved by additional changes Pak may make among his top lieutenants. At present, control of the government party machinery is in the hands of Kim's factional enemies who are coming under increasing fire from the party rank and file as a result of the strong showing of the opposition in the race for the National Assembly.

Other cabinet changes announced along with Kim's appointment are largely routine. The new foreign minister, Kim Yong-sik, is an experienced diplomat and briefly held the same position in 1963. None of the key economic ministers was changed, including the deputy prime minister, who has over-all responsibility for all economic planning.

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INDIA-PAKISTAN: Relief efforts gained considerable momentum this week, but the situation remains potentially explosive.

New Delhi's problems with the refugees are growing more complex. The state of West Bengal--currently playing host to most of the four million refugees--was ill-prepared to deal with the influx, and state officials fear a total administrative breakdown. According to a Calcutta newspaper, when Prime Minister Gandhi visits that city tomorrow, she will be threatened with the resignation of the entire state cabinet unless she agrees to relieve the Bengal government of all responsibility for the refugees.

With the coming monsoon rains, conditions in the refugee camps will become even more desperate and, encouraged by the state's radical Communist Party--one of Mrs. Gandhi's major opponents--thousands of refugees may try to enter Calcutta. The law-and-order situation in the city is already precarious, and a surge of refugees would add to the tension. West Bengal authorities are pressing Mrs. Gandhi to move the refugees to nonborder states, but this would be a monumental task and could not be accomplished in time to avoid the expected difficulties. The local newspapers are already reporting that the radical Communists are considering staging a statewide general strike to embarrass the prime minister and bring down the state coalition government dominated by her Ruling Congress party.

The office of the UN High Commissioner for Refugees, Prince Sadruddin Khan, has just completed a comprehensive survey of conditions in the West Bengal refugee camps and is instituting a massive relief effort under UN auspices. Cholera, endemic in East Pakistan, appears to be on the rise in the camps, and there is deep concern about it.

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UN Assistant Secretary General Kittani, an expert in disaster relief, expects to visit Islamabad and Dacca next week to work out guidelines for aid operations of the international community in East Pakistan. These guidelines will include provisions for UN monitoring of the use of the supplies, most of which will be provided by UNICEF and the UN's World Food Program. The official Pakistani request is for 250,000 tons of wheat and 100,000 tons of edible oil.

Meanwhile, drought and low procurement prices have resulted in a food problem in West Pakistan as well. Officials estimate at least one million tons of wheat will have to be imported in the next 12 months to build up government stocks. Insect damage has also driven down rice production in West Pakistan.

The poor agricultural prospects in the West will require East Pakistan to depend entirely on foreign imports of foodgrains in the near future. Under the circumstances, it may be that the West will consume the wheat that was diverted because of the civil war to Karachi from congested East Pakistani ports, despite Pakistan's promise to the US that the wheat, given under PL-480, would be returned to the East.



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INDIA: India's new budget contains no major new approaches to the country's economic and social problems.

Apparently the government is in no hurry to use its solid majority in Parliament to enact Prime Minister Gandhi's much-discussed "radical" socialist policies. The budget is only mildly expansionary and will not support a comprehensive development program for appreciably more rapid economic growth.

The budget is essentially conservative with total spending scheduled to increase by only 4.6 percent. The country's tax base remains essentially unchanged, but the imposition of new taxes will hold deficit financing down to about the 1970 level. New Delhi has not yet devised a means of taxing the large agricultural sector, which remains under the authority of the states.

Development programs are to be concentrated in industry, transportation, and communications, with the share of expenditures devoted to irrigation and power projects scheduled to decline. The budget also contains no major new proposals to attack the massive unemployment problem.

Moreover, unless substantial international assistance is forthcoming to help India care for the estimated four million refugees from East Pakistan, New Delhi may even be forced to cut what limited economic development and employment programs are planned. The allocation of \$80 million for refugee relief in the current budget will suffice only for a limited period.



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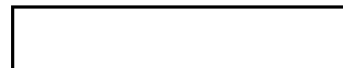
MALTA: An apparent trend running in favor of the Labor Party in a key electoral district could spell serious trouble for Prime Minister Borg-Olivier's ruling Nationalist Party in the 12-14 June parliamentary elections.

In the contest for the 55 legislative seats, present soundings indicate that Dom Mintoff's opposition Malta Labor Party (MLP) may pick up two additional seats in Gozo, a district which in 1966 awarded four of its five parliamentary seats to the Nationalists. Such a gain would be significant in an election which most observers expect to be a photo finish.

The key question is whether a pro-MLP trend in Gozo, the smaller of the two inhabited islands, would also be reflected in the island of Malta itself. There are several factors working in favor of the MLP, the main one being the reconciliation between Mintoff and the highly influential Catholic church. In 1969 the church, which in past elections publicly branded a vote for Labor a mortal sin, agreed with Mintoff to refrain from any overt intervention in the elections.

Also working for the MLP is the fact that approximately one out of every six voters will be going to the polls for the first time. These young voters may look to Labor as having the more appealing economic and social policy. The virtual disappearance of splinter parties--only one insignificant party is challenging the two prime contenders--is also expected to work to the MLP's advantage.

The foreign policy section of the MLP election program, issued last weekend, pointedly avoids any reference to NATO. Prior to the campaign, Mintoff had indicated that the small NATO presence was at odds with his theme of "positive neutrality." He now seems to be hinting that, if he wins, NATO will not have to give up its Maltese base if it is willing to give "adequate" compensation.



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FRANCE-USSR: Soviet Foreign Trade Minister Patolichev has made another gesture toward closer economic cooperation with France.

Patolichev, in Paris for the air show, announced that specifications for the Kama River truck plant have been passed to Renault and that the two countries will collaborate in building an oil refinery in France to process Soviet crude. He also noted that further discussions were held on building a joint metallurgical complex near Marseilles that was agreed to during President Pompidou's visit to the USSR last fall.

These agreements contain little that is new or especially significant. Renault apparently will undertake only the cab and sheet metal stamping unit of the truck plant, and the refinery probably will add only marginally to France's refining capacity. As for the metallurgical complex, it remains in the talking stage as do various other economic proposals raised in recent years.

The recent announcement may be setting the stage for the upcoming meeting of the "Grande Commission," a body that meets periodically to explore new areas of cooperation between the two countries. Although the commission has not been publicized during the past several years, Moscow may attempt to revitalize it now to promote closer ties with Paris.

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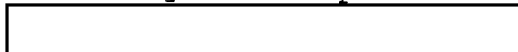
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CANADA: Prime Minister Trudeau's efforts to highlight his "independent" foreign policy during his recent trip to the USSR have come under increasing attack at home.

The opposition parties and the press have exhibited growing concern over the possible implications of the visit for relations with the US and NATO and the resulting protocol on consultations. Despite government reassurances that its aim is merely to diversify its foreign policy and not to loosen traditional ties with the West, critics are charging that Canada's position on East-West security issues is becoming ambiguous.

Parliamentary and press critics also complain that Trudeau has compromised relations with the US. Defense of and praise for Washington have come from such unlikely sources as former prime minister Diefenbaker and prominent members of the socialist New Democratic Party.

There are no indications that press reports alluding to undisclosed agreements have any basis in fact. These reports apparently were sparked by the delay in the public release of the protocol.



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PANAMA: The government is focusing popular attention on the canal issue.

Members of Panama's negotiating team are holding a series of public meetings outlining the government's position and objectives. They have already met with business executives and some community leaders, and additional meetings with students and other groups are planned. The government position as enunciated in these discussions concedes continued US control of canal operations, calls for a reduced US military presence, and stresses Panama's interest in attaining full jurisdiction over the Canal Zone. The negotiators also stated that any new treaty would be ratified by plebiscite.

This current round of popular consultations seems designed to develop a climate of opinion that could be further mobilized and used during negotiations. It also serves to head off any later charge that the regime was acting secretly to conclude an unfavorable agreement with the US. The obvious danger, however, is that government rhetoric at this stage can reduce needed flexibility and complicate negotiations.

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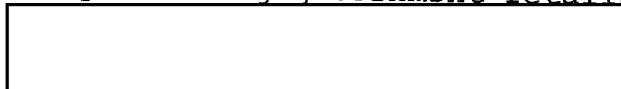
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MOZAMBIQUE: Portugal is cracking down on the activities of foreign Catholic missionaries.

Lisbon's decision last week to expel the 38 members of the international Catholic Order of White Fathers--active in the province since 1946--was based on allegations that certain members had engaged in "anti-Portuguese" and "offensive" acts. One missionary was charged with urging his congregation to join the nationalist Front for the Liberation of Mozambique (FRELIMO). Early last month, another Catholic missionary was ordered out of the province on much the same charge.

Portugal is unable to supply enough missionaries for its African provinces and must rely heavily upon foreign missionaries, whom it nevertheless views with suspicion. Many of these Catholic missionaries--largely West Europeans--are averse to Portugal's policies in Africa and inculcate nationalist sympathies upon their congregations. Several years ago, an entire White Fathers' seminary class defected to Malawi and many joined FRELIMO. Although the Portuguese decided against expelling the order at that time, they have kept it, and other missionary orders, under close surveillance. The Portuguese are especially sensitive at the moment because of the dry season offensive into insurgent territory that began last month, and even the slightest connection of a missionary group with FRELIMO is likely to bring government retaliation against it.



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NOTE

CZECHOSLOVAKIA: Unconfirmed press reports indicate that the party membership of former party boss Antonin Novotny was reinstated at the recent party congress. If true, it would mark further progress in the party leaders' efforts to settle their factional differences. Novotny's party status has been a troublesome issue since his membership was suspended in 1968 for his complicity in the Stalinist trials of the 1950s. His final expulsion would have resurrected that sensitive issue which conservatives and the Soviets would like to avoid. Novotny's reinstatement would not mitigate his official disgrace, and the moderates in the Husak regime may have agreed to it in return for not taking any further action against the reformist leaders of the Dubcek era.

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